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ASSOCIATION, INTER-INSURANCE BUREAU

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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

CALIFORNIA STATE AUTOMOBILE  
ASSOCIATION, INTER-INSURANCE BUREAU,

Plaintiff.

vs.

FRANKE, INC., JOHN GUEST USA, INC., and  
DOES 1 through 50, inclusive,

Defendants.

No. C 08-01642 EDL

**JOINT CASE MANAGEMENT  
STATEMENT**

DATE: July 1, 2008  
TIME: 10:00 a.m.  
PLACE: Courtroom E

1           **1.       JURISDICTION AND SERVICE**

2           Plaintiff filed its complaint in the Superior Court of the State of California, County of Marin,  
3 on March 10, 2008 and served the agents for service of process for both defendants by mail on March  
4 14, 2008.

5           Pursuant to 28 USC § 1332, Defendant John Guest filed a notice of removal on the basis of  
6 diversity jurisdiction on March 26, 2008.

7           **2.       FACTS**

8           Plaintiff, CALIFORNIA STATE AUTOMOBILE ASSOCIATION (CSAA), insured under a  
9 policy of homeowners insurance, the residence of Blair and Laurie LaCorte, located at 15 Belvedere  
10 Ave., Belvedere, California. In about 2002 the LaCortes remodeled the kitchen of their home, which  
11 included the installation of a Triflow water filter, serial number FR 077691, manufactured by  
12 defendant FRANKE, INC., under the second floor kitchen sink. The fitting on the Franke water filter  
13 was manufactured by defendant, JOHN GUEST USA, INC.

14           Early on the morning of November 7, 2007, the John Guest fitting on the Franke water filter  
15 fractured, allowing water to leak out. The LaCortes awoke to alarms ringing, and upon inspection,  
16 found water had flooded the upstairs kitchen, hallway, stairs, downstairs hallway, two bedrooms, a  
17 bathroom and a utility closet. The damage included damage to hardwood floors and carpets,  
18 downstairs ceilings, light fixtures and walls.

19           The John Guest fitting was examined under a microscope which revealed no tool marks to  
20 indicate it had been over tightened. Spectroscopic examination of the fitting revealed it to be made of  
21 Polyacetal plastic. Published literature has shown this type of plastic is sensitive to attack by chlorine  
22 at low concentrations, such as is found in potable water.

23           CSAA adjusted and paid the claim; this subrogation action followed.

24           **3.       LEGAL ISSUES**

25           Plaintiff claims the Franke water filter, and in particular, the John Guest fitting with which it  
26 was supplied, was defective because the fitting was made of a plastic that was prone to degradation  
27 upon exposure to chlorine at low levels. Plaintiff does not see any novel legal issues arising out of  
28 these facts.

1           **4.       MOTIONS**

2           No party has filed any motion to date, and the parties do not foresee any motions, other than  
3 motions in limine, being filed.

4           **5.       AMENDMENT OF PLEADINGS**

5           None are anticipated.

6           **6.       EVIDENCE PRESERVATION**

7           The Franke water filter and John Guest fitting are in the possession of plaintiff's consultant,  
8 EFI Global, at its facility in Rocklin, CA. Both Franke and Guest have had an opportunity to examine  
9 the evidence, and may do so again at any time, upon reasonable notice.

10          The LaCorte residence was repaired in order to allow them to move back in. The damage was  
11 documented in photographs. If the defendants wish to view the repaired residence, plaintiff will  
12 cooperate in arranging it.

13          All documents in the possession of plaintiff relevant to this claim are stored electronically, and  
14 have been preserved.

15          **7.       DISCLOSURES**

16          Plaintiff has made a timely disclosure of the following:

17          A.       **Documents:** Its entire claim file, including all documentation of damage and its log of  
18 notes on the adjustment of the claim, solely excepting the log of notes on the subrogation claim,  
19 regarding which plaintiff claims attorney client privilege; the declarations sheet and policy of  
20 insurance under which CSAA paid this loss; and the report and photographs of its expert consultants,  
21 EFI Global.

22          B.       **Witnesses:** the insureds, plaintiff's claims adjustor, repair contractors and plaintiff's  
23 principal expert consultant; and

24          C.       **Computation of damages:** see below.

25          Defendant John Guest USA, Inc. provides the following disclosure:

26          A.       **Documents:** product information (subject to an appropriate protective order to protect  
27 the proprietary nature of these documents); photographs of the component;  
28

B. **Witnesses:** Mr. and Mrs. LaCorte; claims representatives who adjusted the loss; contractors; expert witnesses as retained; company designates as identified; witnesses to the incident as identified.

C. **Computation of damages:** defer to plaintiff's disclosure

## 8. DISCOVERY

The parties believe that the initial disclosures made pursuant to FRCP 26(a)(1) will provide adequate information to evaluate this case and engage in a meaningful mediation, which will be set in August or September 2008. If the matter does not settle, the parties will prepare a discovery plan.

## 9. CLASS ACTION

This is not a class action.

## 10. RELATED CASES

The parties know of no related cases.

## 11. RELIEF

Plaintiff seeks money damages as described below.

CSAA has made the following payments on this loss.

| DATE     | PAYEE                 | EXPLANATION   | AMOUNT              |
|----------|-----------------------|---|---------------------|
| 1/23/08  | K2 Environmental      | Mitigation.   | \$16,622.08         |
| 12/27/07 | LaCorte/Wells Fargo   | Cash settlement for dwelling repairs.   | \$47,243.15         |
| 1/23/08  | LaCorte/Wells Fargo   | Cash settlement for supplemental dwelling repairs, less \$1,000 deductible.     | \$29,208.60         |
|          |                       | \$1,000 deductible paid by LaCorte  | \$1,000.00          |
| 1/15/08  | EFI Global            | <i>Stearman</i> costs.  | \$354.78            |
|          |                       | Subtotal for Dwelling Repairs   | \$94,428.61         |
| 1/23/08  | LaCorte               | Reimbursement for piano move, pack-out and rug cleaning.                        | \$4,368.97          |
| 1/23/08  | CRDN Greater Bay Area | Rug restoration.  | \$238.25            |
|          |                       | Subtotal for Personal Property  | \$4,607.22          |
| 12/04/07 | LaCorte               | Reimbursement for ALE (LaCorte used entire additional living expenses coverage) | \$5,547.63          |
|          |                       | <b>TOTAL</b>  | <b>\$104,583.46</b> |

1 The claim amount became certain by the end of January 2008, which entitles CSAA to collect  
2 prejudgment interest from that point. Prejudgment interest accumulates at 7% per annum, \$7,320.84  
3 per year, or \$610.07 per month; for \$3050.35 as of the date this statement is filed. CSAA paid \$320  
4 to file this suit. **Plaintiff's total claim is now \$107,953.81**

5 **12. SETTLEMENT AND ADR**

6 In a demand letter to both defendants dated March 4, 2008, plaintiff provided documentation  
7 of its damages and demanded \$105,693.53 to settle the case. No response was had by either  
8 defendant.

9 The parties have agreed to private mediation, which is scheduled to take place on August 25,  
10 2008.

11 **13. CONSENT TO MAGISTRATE JUDGE FOR ALL PURPOSES.**

12 The parties all consent to have Magistrate Judge Elizabeth D. Laporte conduct all future  
13 proceedings in this case.

14 **14. OTHER REFERENCE**

15 The parties do not see a need for any further reference at this time.

16 **15. NARROWING OF ISSUES**

17 The main issue is the cause of the fracturing of the fitting. It will not be possible to narrow  
18 that factual issue. It may be possible to stipulate to damages.

19 The parties see no need to bifurcate issues, claims or defenses.

20 **16. EXPEDITED SCHEDULE**

21 The parties see no need to handle this case on an expedited schedule.

22 **17. SCHEDULING**

23 The parties suggest that a scheduling conference be held in November 2008, after mediation.  
24 If the case does not settle, the parties can then propose a discovery plan and schedule, including a trial  
25 date.

26 **18. TRIAL**

27 Defendants demand a jury trial. The parties estimate the case will take three to five court days  
28 to try.

1           **19. DISCLOSURE OF NON-PARTY INTERESTED ENTITIES OR PERSONS**

2           The parties know of no non-party interested entities or persons.

3           **20. OTHER MATTERS**

4           None to bring to the court's attention at this time.

5  
6 DATED: June 24, 2008

GRUNSKY, EBEL, FARRAR & HOWELL

7  
8 By /S/ Laura Uddenberg

9           Laura Uddenberg and Robert E. Wall, Attorneys for  
10          Plaintiff, CALIFORNIA STATE AUTOMOBILE  
11          ASSOCIATION, INTER-INSURANCE BUREAU

12  
13 DATED: June 24, 2008

SHAW, TERHAR & LaMONTAGNE, LLP

14 By /S/ John W. Shaw

15           John W. Shaw, Attorneys for Defendant JOHN  
16          GUEST USA, INC.

17  
18 DATED: June 24, 2008

WOOD, SMITH, HENNING & BERMAN, LLP

19 By /S/ Joshua A. Quinones

20           Joshua A. Quinones, Attorneys for Defendant  
21          FRANKE, INC.

**PROOF OF SERVICE**

STATE OF CALIFORNIA )  
COUNTY OF SANTA CRUZ } ss

I am over the age of eighteen (18) years and not a party to the within action. I am employed by the law firm of GRUNSKY, EBEL, FARRAR & HOWELL (the "firm"), and my business address is 240 Westgate Drive, Watsonville, California 95076.

On **June 24, 2008** I caused to be served the within **JOINT CASE MANAGEMENT STATEMENT** on the parties to this action, by placing a true copy thereof enclosed in a sealed envelope, addressed as follows and delivered in the manner indicated:

***Attorneys for Defendant John Guest USA, Inc.:***

John W. Shaw  
Shaw, Terhar & LaMontagne, LLP  
707 Wilshire Boulevard, Suite 3060  
Los Angeles, CA 90017  
Tel: (213) 614-0400  
Fax: (213) 629-4534

***Attorneys for Franke, Inc.:***

Joshua A. Quinones  
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505 N. Brand Blvd., Suite 1100  
Glendale, CA 91203-1906  
Tel: (818) 551-6000  
Fax: (818) 551-6050

XXX

**[By Mail]:** I caused each envelope with postage prepaid to be placed in the United States mail at Watsonville, California. I am readily familiar with the business practices of the firm regarding the collection and processing of correspondence for mailing with the United States Postal Service. Pursuant to such business practices, and in the ordinary course of business, all correspondence is deposited with the United States Postal Service on the same day it is placed for collection and mailing.

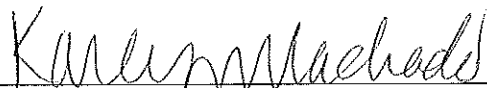
**[By Federal Express]:** I caused each envelope to be delivered to Federal Express for overnight courier to the office(s) of the addressee(s).

**[By Hand Delivery]:** I caused each envelope to be delivered by hand on the office(s) of the addressee(s).

**[By Fax]:** On \*, I served the within document on the parties in said action by facsimile transmission, pursuant to Rule 2.306 of the California Rules of Court. A transmission report was properly issued by the sending facsimile machine and the transmission was reported as complete and without error.

**[By e-mail]** Pursuant to CCP 1010.6(6), and pursuant to authorization from \*\*\*, assistant to \*\*\*, I scanned and emailed correct copies of the above-entitled document to \*\*\*(e-mail address). A copy of the e-mail transmission is attached hereto.

I declare, under penalty of perjury under the laws of the State of California, that the foregoing is true and correct, and that this declaration was executed on **June 24, 2008** at Watsonville, California.

  
Karen L. Machado